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PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: FURTHER STEPS TO BE TAKEN IN RELATION TO THE DEVELOPMENT OF THE COMPREHENSIVE INFORMATION SYSTEM

Further steps to be taken in relation to the development of the comprehensive information system

Report of the Secretary-General

SUMMARY

Statistics on foreign direct investment are one of the principal indicators of the activities of transnational corporations. Unfortunately, those statistics are among the most deficient macro-statistics since countries do not comply with the commonly accepted definition of foreign direct investment. At the same time, the recent emphasis on globalization and liberalization of economic activity has increased the role and importance of foreign direct investment. Developing countries and centrally planned economies are being urged to adopt appropriate investment policies and laws. However, there must be some reliable way of measuring new trends and the impact of such increased liberalization measures. To meet this need, the United Nations Centre on Transnational Corporations has launched a major project to collect, publish and improve statistics related to foreign direct investment.

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I. DEVELOPMENT OF THE COMPREHENSIVE INFORMATION SYSTEM

1. Statistics on foreign direct investment are one of the principal indicators of the activities of transnational corporations. During the 1980s, world foreign direct investment grew at an average rate of 10.2 per cent compared to only 3 per cent for world trade and 2.6 per cent for world output. Consequently, the world stock of foreign direct investment surpassed $1 trillion by the end of 1987, nearly doubling in size since 1980. 1/ Foreign direct investment may be measured either in terms of annual flows (inward and outward) or in terms of cumulative stocks. Flows and stocks can then be classified by recipient countries and countries of origin, as well as by sector of economic activity. The components of the flows of foreign direct investment are equity investments, intercompany loans and reinvested earnings. Unfortunately, practically no country in the world respects this definition and statistics on foreign direct investment are usually incomplete. More often than not, intercompany loans and reinvested earnings are missing. The incompleteness of the data makes it difficult to rank countries in terms of being the largest source or recipient countries.

2. Consequently, extreme caution is needed when analysing data on foreign direct investment. For example, table 1 shows the Japanese share of outflows on foreign direct investment in 1988 as 15 per cent compared to the United States share of 19 per cent. Since the Japanese statistics do not contain reinvested earnings, its share is based downward. It should be noted that, in recent years, United States foreign direct investment statistics have been severely distorted by the inclusion of large currency transaction gains or losses related to the depreciation or appreciation of the dollar.

3. With the recent emphasis on globalization and liberalization of economic activity, increased importance is being attached to the role of foreign direct investment in developing countries. Developing countries are being urged to adopt more liberal investment policies and laws. However, there must be some reliable way of measuring the impact of such increased liberalization measures. Foreign direct investment is becoming a "hot" topic for yet another reason. 2/ With most of the flows of foreign direct investment being directed towards the United States, there is a real concern on the part of the United States public that control of their economy is falling into foreign hands. During 1988, the inward foreign direct investment position of the United States exceeded the outward position for the first time. Experts are worried that this will stimulate more restrictive legislative measures of the Exxon-Florio type where foreign direct investments are subject to review and possible presidential veto. However, it is more than likely that the alarm has again been set off prematurely owing to inadequate statistics. If the United States investment position abroad were measured at replacement cost rather than at historical cost, it would, in all likelihood, still exceed the inward position. 3/ There is also a growing interest in increasing foreign direct investment in centrally planned economies. Statistics on foreign direct investment, as known in the West, are currently not collected by centrally planned economies. At present, only the initial level of capitalization of East-West joint ventures is available.

Table 1. Outflows of foreign direct investment from five major home countries, 1983-1988

(Millions of US dollars and percentages)

Country	1983	1984	1985	1986	1987	1988
			A. Absolute values			
France	1 699	2 134	2 226	5 339	9 082	14 484
Germany, Federal Republic of	3 185	4 346	4 914	10 089	9 219	10 361
Japan	3 602	5 945	6 427	14 336	19 396	34 256
United Kingdon	8 181	7 956	11 173	16 232	30 771	26 971
United States	3 574	4 867	13 482	21 444	41 202	14 805
Total above	20 243	25 248	38 224	67 440	109 671	100 879
Developed countries	35 770	41 392	57 220	90 719	141 349	144 036
Developing countries	893	572	1 190	1 289	2 312	5 827
All countries	36 664	41 977	58 411	92 031	143 669	149 885

	B. Shares	
	1981-1983	1984-1988
France	7.3	6.1
Germany, Federal Republic of	7.8	8.6
Japan	11.0	15.4
United Kingdom	22.2	19.0
United States	17.5	19.3
Total above	65.8	68.5
Developed countries	97.9	97.9
Developing countries	2.1	2.1

Source: International Monetary Fund, balance-of-payments tape, retrieved on 10 November 1989.

Note: The data on Japan exclude reinvested earnings. Shares were calculated based on average annual flows.

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4. Thus, there are a number of reasons for renewed concern among international organizations to collect better statistics on foreign direct investment. Unfortunately, this concern is not matched at the national level where many Governments have reduced resources devoted to collecting and improving statistics. Besides budgetary constraints, statistics on foreign direct investment have suffered from the fact that some Governments are not convinced of the benefits of having accurate and complete foreign direct investment data. Nevertheless, the Centre has launched a major project to collect, publish and improve statistics related to foreign direct investment. This project was discussed during the seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (see report of the Secretary-General on data on foreign direct investment (E/C.10/AC.3/1989/9)). The report of the Secretary-General describes the progress achieved at the end of 1989 and what is to be accomplished during 1990.

II. DATA COLLECTION

5. During 1989, the Centre has undertaken a project to collect statistics on foreign direct investment (stocks and flows), as well as relevant corporate data, legal information (laws, agreements, treaties) and bibliographic sources for each country in the world. This has been done with the active co-operation of the Centre's Joint Units at Addis Ababa, Bangkok and Santiago. The Joint Units have, in many cases, collected original, unpublished national data, with the assistance of national experts both within and outside the Government. Such information has been collected through the use of "country profiles". In some cases, national central banks or other government institutions undertook special surveys to obtain the information. Nevertheless, information available to developing countries on the foreign direct investments of transnational corporations is deficient for a number of reasons. In most cases, developing countries in the process of liberalization are not likely to increase their reporting requirements, and information available in the financial statements of parent transnational corporations is not adequately segmented to provide much insight about the flows of foreign direct investment into particular developing countries.

6. The Centre and the Joint Units have processed the data that were available but have not made adjustments for the widespread deficiencies. However, at the international level, the Centre is co-operating with the Organisation for Economic Co-operation and Development (OECD) to improve compliance with the OECD benchmark definitions for foreign direct investment. In this connection, the Centre has circulated a questionnaire to all country experts concerning definitions and national data collection methods so that the Centre will have a clearer understanding of the deficiencies in the data.

III. PUBLICATION OF THE DIRECTORY OF TRANSNATIONAL CORPORATIONS

7. During 1990, the Centre will begin to publish the data as follows:

Volume 1. South-East Asia and the Pacific;

Volume 2. OECD;

Volume 3. Middle East and Africa;

Volume 4. Latin America and the Caribbean;

Volume 5. Centrally planned economies of Europe;

Volume 6. Global aggregates.

In most cases, the data will be published as collected, with the appropriate notes warning users of gaps and other problems. The Directory will contain the position on foreign direct investment of as many countries as possible, the activities of transnational corporations in and from those countries and the regulatory (legal) framework within which they operate. 4/ The purpose of the Directory is to assemble, in one place, comprehensive, comparable data on the most important aspects of the world-wide activities of transnational corporations. As such, the Directory will be an indispensable source for policy makers, especially in developing countries, who wish to understand the character, pattern and trends of foreign direct investment and need reliable information as a basis for the formulation and monitoring of policies related to transnational corporations. The Directory will also provide basic data for researchers in Governments, intergovernmental and non-governmental organizations, academia, the private sector and the trade-union movement who wish to analyse the activities of transnational corporations.

8. Eventually, the Directory and its underlying data base will be made available electronically to external users. Much of the effort in producing the Directory has been to design an integrated computer system to enter, update, manipulate and process data, as well as to facilitate computer-aided publishing. In this regard, the Centre received valuable technical assistance from the Electronic Data Processing Unit of the Economic Commission for Europe (ECE), at Geneva, which has a large programme for the publication of various statistical bulletins.

IV. IMPROVEMENT OF STATISTICS ON FOREIGN DIRECT INVESTMENT

9. The third phase of this project will consist of the dissemination of the Directory and data base and the improvement of the systems of developing countries and centrally planned economies for the collection and use of data on foreign direct investment. In conjunction with OECD, the Centre plans to analyse current data problems and gaps and will make recommendations to Governments for improved compliance with the OECD benchmark definitions. The following problems in compliance are being analysed:

(a) Compliance with a single threshold value. A foreign direct investment enterprise is defined as one in which a single foreign investor controls 10 per cent or more of the ordinary shares or voting power or has an effective voice in the management which would include non-equity forms of investment such as joint ventures; in actual practice, threshold values range from less than 10 per cent to 50 per cent; much needs to be done to tighten the definition so that all investments will be recorded where the foreign investor has significant control;

(b) Composition of foreign direct investment earnings. Such earnings should consist of dividends, reinvested earnings and interest due;

(c) Elimination of capital gains/losses. The earnings should not contain any realized or unrealized capital gains or losses since these items are not directly associated with the enterprise's operational earnings;

(d) Collection of inter-firm flows. Data should include transactions in shares, long-term and short-term loans and indebtedness;

(e) Conversion procedures. Interest, dividends, profits remitted and retained in foreign currency should be converted at the closing mid-market spot exchange rate on the day received;

(f) Measurement of foreign direct investment stock. Stock should be measured as the book value of share capital and reserves attributable to the direct investors, plus long-term and short-term loans, trade credit and other indebtedness, including unpaid dividends due the direct investor;

(g) Re-estimation of foreign direct investment stock. Stock could be re-estimated at replacement cost rather than book value. This would enhance the comparability of data on foreign direct investment across countries.

10. The Centre is also considering a technical assistance programme for those developing countries and centrally planned economies interested in having better statistics on foreign direct investment and the activities of transnational corporations operating within their borders.

V. CONVERSION OF DATA ON FOREIGN DIRECT INVESTMENT TO ONE UNIT OF ACCOUNT

11. The Centre is concerned that its method of converting foreign direct investment data reported in different local currencies into one unit of account for aggregation purposes is far from satisfactory. Currently, the Centre converts national data expressed in national currencies into United States dollars. It uses average exchange rates for flows and year-end exchange rates for stocks. This method is far from ideal owing to the distortions introduced into the data because of exchange rate fluctuations. For example, if the base currency (US dollar) tends to appreciate (e.g., the US dollar in 1980-1984), the rate of increase in foreign direct investment is likely to be undervalued, whereas the opposite is true when it tends to depreciate.

12. One alternative would be to convert all the data into a basket currency rather than into the currency of one particular country. This would reduce the effects of fluctuations over time associated with the value of one particular currency because the distortions induced by strong currencies would be counter-balanced by the opposite effects induced by weak currencies in determining the basket-currency value.

13. Another alternative, which has been developed through an international research effort, is the use of purchasing power parities (PPP) to convert national currencies into one unit of account. A purchasing power parity is defined as the rate at which a unit of a currency should be converted into another in order to purchase an equivalent set of goods and services in both countries. The concern here is to properly measure global flows and stocks of investment or capital goods. The International Comparison Programme, initiated by the Statistical Commission, developed a methodology that constructs indices of vis-à-vis conversion rates between each local currency and a chosen numeraire which are consistent with the PPP concept. The estimates of PPPs can be used to express data on foreign direct investment in the same unit of measure. The method, while quite satisfactory from a theoretical standpoint, has high costs in terms of the statistical information required. Consequently, empirical estimates are found, as a rule, for only a limited number of countries and years, and the results are then extended to non-benchmark years using extrapolative procedures.

14. Unfortunately, this work of calculating purchasing power parities is being discontinued by the Statistical Office of the United Nations Secretariat because funding has been cut. PPPs will continue to be estimated, however, by the Statistical Office of the European Communities (EUROSTAT) for their member countries. But this leaves the rest of the world without PPPs and makes meaningful aggregation of foreign direct investment by the Centre or any other researcher difficult.

15. Table 2 illustrates the difference in the size of inflows of foreign direct investment using either United States dollar exchange rates or PPPs. As far as the Latin American countries were concerned, their inflows were systematically undervalued by 20 per cent by using the United States dollar, whereas the African inflows were overvalued by 44 per cent. Consequently, there is a strong argument for using PPPs.

16. Since the International Comparison Programme is being discontinued and it is important to have adequate and reliable data on foreign direct investments, the Group might consider requesting the Commission on Transnational Corporations to invite the Statistical Commission to set up a joint ad hoc intergovernmental expert group to make recommendations for the improvement of statistics on foreign direct investment, including their conversion to a meaningful unit of account and including the regular reporting of those statistics in the United Nations Statistical Yearbook.

Table 2. Inflows of foreign direct investment in 1980

	In millions of US dollars	In millions of international dollars (PPP converted)
OECD countries		
Austria	238.10	262.13
Belgium	2 572.1	2 151.6
Canada	684.20	798.36
Denmark	105.40	83.450
Finland	27.900	24.030
France	3 294.2	2 798.5
Germany, Federal Republic of	416.50	327.72
Greece	672.90	878.54
Ireland	286.90	313.93
Italy	540.60	567.22
Japan	274.00	254.45
Netherlands	2 349.0	1 741.4
Norway	59.900	49.510
Portugal	157.60	139.46
Spain	926.10	1 070.5
United Kingdom	5 910.9	4 204.9
United States	16 918.00	18 625.00
Africa		
Botswana	124.80	114.90
Cameroon	129.80	79.830
Côte d'Ivoire	344.10	219.11
Kenya	79.400	53.800
Malawi	6.5000	5.2400
Morocco	129.80	83.060
Senegal	1.9000	1.27000
United Republic of Tanzania	4.6000	5.0600
Zambia	57.300	40.910
Zimbabwe	23.500	16.110
Latin America		
Argentina	681.00	431.66
Brazil	1 913.0	2 585.2
Chile	213.40	345.77
Colombia	157.50	245.86
Dominican Republic	92.600	98.420
Ecuador	70.400	98.020
Panama	46.900	83.470
Paraguay	31.200	23.960

Table 2 (continued)

	In millions of US dollars	In millions of international dollars (PPP converted)
Peru	27.000	39.380
Uruguay	283.70	328.51
Venezuela	54.700	63.210
Asia		
Indonesia	183.50	274.98
Pakistan	58.600	98.130
Philippines	-106.70	-124.08
Republic of Korea	7.8000	11.690
Sri Lanka	42.900	147.96

Source: M. Ricottilli and F. Zilibotti, Distortions Induced by Exchange Rate Conversion in Evaluating Foreign Direct Investments (Bologna, University of Bologna, 1989).

Note: The comparison was performed for 1980 data because of the availability of PPPs for that year. PPPs have not been calculated more recently, for these countries owing to resource constraints.

Notes

1/ John M. Rutter, Direct Investment Update: Trends in International Direct Investment (Washington, D.C., United States Department of Commerce, Office of Trade and Investment Analysis, International Trade Administration, September 1989).

2/ See report of the Secretary-General on recent developments related to transnational corporations and international economic relations (E/C.10/1990/2), which contains an analysis of the latest trends in foreign direct investment.

3/ Lois Stekler and Grey Stevens, The Adequacy of US Direct Investment Data, prepared for the Conference on International Economic Transactions: Issues in Measurement and Empirical Research, 3-4 November 1989, United States Federal Reserve Board, Division of International Finance. According to Stekler and Stevens, the current market value of the United States direct investment position abroad was about $750 billion at the end of 1988, while the foreign direct investment position in the United States was about $450 billion. The book values (historical cost) were $327 billion and $329 billion, respectively. Note that these are stock figures.

4/ The Directory will be an expanded and updated version of the Directory of Statistics on International Investment and Production, edited by John Dunning and John Cantwell.

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PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING

Ways and means of improving education, research and practical training in the field of accounting and reporting in member States: results of the survey on Africa

Report of the Secretary-General

SUMMARY

This report identifies accounting needs in Africa. The findings are based on a survey of African countries conducted by the United Nations Centre on Transnational Corporations, the World Bank and the International Labour Organization. Some of the results indicate the complete inadequacy of the accounting profession and its environment. For example, 17 countries have fewer than 50 fully qualified accountants each. Most of these are in the private sector, leaving the public sector seriously understaffed. While almost all countries have a professional accounting body, very few offer a national qualifying examination. This is an important constraint on the supply of fully qualified accountants. It is obvious that such deficient accounting environments cannot support standard-setting activities. Now that the needs have been identified with more precision than ever before, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting is in a position to discuss how these needs can best be met and to outline an appropriate technical assistance programme. The final details of any technical assistance programme, however, must be worked out with the beneficiaries.

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INTRODUCTION

1. At its seventh session, in 1989, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting considered a report of the Secretary-General on the ways and means of improving education, research and practical training in the field of accounting and reporting in Africa. The Group discussed the feasibility of providing technical assistance in Africa in the areas of education, research and practical training.

2. The Group agreed that, as an essential first step towards identifying various aspects of such technical assistance in accounting education and research, a survey should be undertaken by the United Nations Centre on Transnational Corporations. It was agreed that the survey should collect the following information:

(a) Current and future manpower needs in the field of accounting and reporting (including technical, intermediate and professional levels);

(b) Current methods of professional qualification, including provisions for education and training;

(c) The names of organizations already working in accounting education and a description of their present programmes and their plans for future development;

(d) The structure of the profession;

(e) A framework for setting accounting standards and accounting practices (including the private and public sectors);

(f) Legal requirements with respect to accounting standards, audits and the approval of persons and firms carrying out audits;

(g) Identification of the principal users of financial statements.

3. The Group further agreed that, in order to conduct the survey, a questionnaire should be sent to the Governments of all countries in Africa, national professional accounting bodies and/or identified individuals, educational providers and donor agencies, as appropriate.

I. METHODOLOGY

4. The survey of accounting needs in Africa has been undertaken by three parties: the United Nations Centre on Transnational Corporations, the International Labour Organisation and the World Bank. The survey was conducted between September and December 1989, mainly through the means of a questionnaire. The questionnaire was sent to Governments, national professional accounting bodies, firms of accountants, educational providers, donor agencies and a number of individuals prominent in the field of accounting in their individual countries. In addition to the questionnaire responses, some information was obtained through personal interviews and by telephone.

5. As the Group will recall, it agreed at its seventh session, in 1989, that a survey was an essential first step towards identifying pertinent aspects of technical assistance in accounting education and research. To achieve this objective, a questionnaire was designed to provide the Group with a broad overview of the accountancy profession in Africa and the problems it is facing, to enable it to determine where future assistance should be directed. The questionnaire was devised by the three parties, based on previous surveys of the International Federation of Accountants (IFAC), with assistance from the United Kingdom Chartered Association of Certified Accountants. The use of the questionnaire generally has proved to be a reasonable means of obtaining an overview of the accounting needs of Africa. The questionnaire responses in some cases, however, have not been very detailed. Some respondents were not able to answer the questions, particularly the quantitative ones and some have given "political" answers. Regarding part (c) of the Group's request, it was not possible to mention all institutions and programmes which operate or have operated in Africa. A complete survey would require a separate report. In any case, institutions and programmes have been described where relevant. Unfortunately, time constraints have not permitted an exhaustive analysis of questionnaire responses. In addition, the 24-page restriction on the length of documents did not allow all the results to be completely described. The Group may wish to request the Centre to publish the survey in a more complete form for distribution to donors, United Nations resident representatives and national and regional accounting bodies in Africa, as well as to respondents.

6. Whenever possible, all the respondents were telephoned prior to sending the questionnaire, in order to explain the nature and purpose of the survey and to seek their co-operation. After dispatch of the questionnaire, a large number of recipients were again contacted by telephone to ascertain whether they had received the questionnaire and to answer any queries. Whenever possible, advantage was taken of staff visiting Africa, on other business, to conduct personal interviews. Of the 51 countries in Africa, 41 countries will ultimately be covered by this survey. This report analyses responses from 35 countries. Of these, 30 country profiles are based on direct responses to the questionnaire; 5 are based on existing reports. Individual country profiles were also constructed and are available upon request.

II. BACKGROUND TO THE ACCOUNTANCY PROFESSION IN AFRICA

7. At its seventh session it was pointed out to the Group that Africa could not be treated as a homogeneous unit and that, owing to their various histories, the individual countries of Africa were different in many respects. To a large extent, the historical development and the present condition of the accountancy profession in Africa have been influenced by Africa's colonial past, which has resulted in a deep divide between the countries in their accounting systems. The accounting systems introduced have been largely based on those of France, Portugal or the United Kingdom.

Anglophone Africa

8. The accounting framework of most countries in anglophone Africa is regulated by their Companies Acts. In general terms, accountancy is seen as a tool for financial management and is oriented to the needs of the enterprise. Most countries also have Income Tax Acts, which dictate certain accounting practices. Tax authorities are generally concerned with those items in the accounts that can be valued in a number of ways - in particular, fixed assets, inventories, depreciation and provisions for risks. The majority of countries also have Accountants Acts, establishing an accountancy body, stating who can join, and restricting the right to undertake statutory audit to members of that body. Most of these professional groups are independent of their respective Governments.

Francophone Africa

9. One of the unique features of accountancy in francophone Africa is the existence of national and sectoral plans: the Plan comptable national and the Plans sectoriels. These plans, or charts, of accounts impose a standardized format for the registration of financial transactions and for the presentation (publication) of the annual financial statements.

10. Such plans allow for:

(a) A linkage between national income accounting (comptabilité nationale) and commercial accounting, both systems having the same definitions;

(b) Inter-firm or inter-sectoral comparisons;

(c) The aggregation and analysis of enterprise accounts at the sectoral or national level.

11. Most of the countries have or intend to have at the level of the Central Bank or Ministry of Finance a Centrale des bilans, which allows for sectoral or national consolidation of balance sheets and/or income statements. The existence of the Plan comptable at the enterprise level imposes a (more or less) uniform system for economic information-gathering at micro- and macro-levels. This is clearly shown, for instance, by the fact that a separate account exists for the value added by the firm (considering that the sum of value added across firms represents the national income of the country).

12. Another special characteristic of the French accounting system is the distinction between experts-comptables and commissaires aux comptes, who may act as statutory auditors. Generally speaking, the responsibility of the expert-comptable (chosen by the management) is to ensure that the accounts comply with the requirements of the Plan comptable. The commissaire aux comptes (chosen by the shareholders) has to certify that the accounts represent a true and fair view of the operations of the enterprise and its financial position.

13. In francophone Africa all experts-comptables may also carry out the functions of a commissaire aux comptes, but the converse is not true. Generally speaking,

the educational level of the commissaire aux comptes is lower than that of the expert-comptable.

14. As the commissaire represents the interests of the shareholders (the owners) and because, in most francophone African countries there are no requirements to carry out the job of commissiare aux comptes (as was the case in France 10-15 years ago), the commissaires of the public enterprises are appointed by the Government and generally chosen from a short list of higher civil servants (generally from the parent ministry or the Finance Ministry). They usually have a financial background.

15. A third distinctive aspect of francophone countries is the existence of a Conseil national de comptabilité, which is the highest authority for accounting in the country. This Conseil is generally part of the Ministry of Finance (the Minister himself is often the President) and the members represent all the concerned partners in accountancy, such as:

(a) Professional associations;

(b) The users (employers, chambers of commerce etc.);

(c) The banking community;

(d) Training and educational institutions;

(e) Various representatives of the Government (treasury, taxation, planning etc.).

Lusophone Africa

16. As in francophone Africa the accounting system of lusophone Africa is based on a chart of accounts, which provides the rules and regulations to which companies must adhere. The chart details such matters as the requirements for company books of accounts and regulations concerning auditing and publication of the balance sheet. One of the main problems relating to accounting in lusophone Africa is that at independence many of the Portugese experts who were competent concerning the chart of accounts departed. Since their departure Cubans and East Europeans have provided technical assistance and expertise to these countries, and have imposed their systems on top of the Portuguese system. Unlike anglophone Africa, audit is not a meaningful part of an accountant's work. There are no accounting bodies in lusophone Africa. In general, this was the weakest part of the survey and more information should be gathered in order to evaluate the deficiencies of the existing accounting system.

III. LEGAL AND REGULATORY FRAMEWORK

A. Private sector financial management

17. The questionnaire requested the respondents to describe the legal and regulatory framework of their country. The responses have been broken down into two

sections: general legislation and legislation or organizations involved in standard-setting.

1. Legislation

18. The development of the legal and regulatory framework of Africa varies considerably from one country to another. Some countries have very advanced regulatory frameworks, where accounting and financial management is given a high priority. Some countries also have highly regulated accountancy professions. For example, in Zimbabwe the profession is regulated by the 1918 Accountants Act. Under the Act the Institute is required to keep a register of persons entitled to practise as public accountants. Only members of the Institute are entitled to call themselves accountants.

19. In the United Republic of Tanzania, under the Accountants and Auditors (Registration) Act all accountants and auditors practising in the country are required to register with the National Board of Accountants and Auditors. The Act also requires that every body of persons, whether corporate or not, engaged in the United Republic of Tanzania in any trade or profession, and having either assets or turnover in excess of a specified amount, employ at least one authorized accountant or auditor. The Act further specifies that self-employed persons earning a gross income of more than a certain amount must have their income tax returns and set of accounts prepared or certified by an authorized accountant or auditor. Many countries also specify that a statutory audit must be undertaken by members of the national accounting body.

20. In other countries, such as the Gambia, the legal and regulatory framework is weak, and there is very little legislation controlling the financial activities of the Government, parastatals, private businesses or individuals. In Madagascar, for example, the legislation governing audit and financial reporting is outdated and does not specify accounting and auditing standards to be met by commercial enterprises and auditors. This, however, is not unusual. In several countries there are no effective accounting systems and no accounting methods and procedures for recording and evaluating accounting data or auditing requirements covering audit procedures and methodology.

21. In some countries Governments control certification of professional accountants and the related examinations. In Malawi and the United Republic of Tanzania, for example, the examinations are administered by the Government, and a government board is responsible for registering accountants.

Anglophone Africa

22. Many countries in Africa need to review their regulatory frameworks. In anglophone Africa, the regulatory framework is, to a large extent, based on the United Kingdom Companies Act of 1948. There is a need for countries to review their Act to ensure that it reflects the changes in the world-wide corporate environment recognized in new Companies Acts in other Commonwealth countries. Not all countries have Accountants Acts (e.g., Ethiopia, the Gambia, Mauritius and Uganda), and it is important for the regulation of the profession that such countries consider enacting similar legislation.

Francophone Africa

23. Francophone Africa is still very closely tied to France and the Plan comptable. Maintenance of the Plan is likely to continue. Fifteen countries (out of 35) currently have Plans comptables, which are enforced by law, and two are in the process of establishing them. Under such circumstances, francophone Africa needs better trained accountancy personnel to be able to handle effectively the complexities of the Plan. Respondents from some countries (e.g., Burundi) mentioned that the requirements of the Plan were too sophisticated, and in these cases the Plan should be reviewed to make sure it is appropriate for each country's needs. The simplified accounting plan should rather be used by the small enterprises. The cost to comply with the complexity of the existing Plan may be a handicap for the development of small business.

Lusophone Africa

24. Since independence, the lusophone countries have experienced difficulty in controlling financial management policies and procedures. At independence a number of experienced personnel left and were replaced by staff with other accounting backgrounds, causing a great deal of confusion. A thorough review of all aspects of accounting is needed. None of the lusophone countries has an accounting body, and consideration should be given to their establishment.

2. Accounting standards

25. The existence of the Plan comptable in some countries should not be seen as substituting for an accounting standard-setting body. The Plan merely indicates the format to be used in financial statements and the items to be recorded. It does not always specify the accounting method to be used in calculating the item. Thus, a rule-making body is still necessary if financial statements are to be consistent and comparable.

26. Of the 35 countries for which information is currently available, 16 have established a Plan comptable by law and 26 have created standard-setting bodies. In 17 of these, standards are enforced by law, whereas in the remaining nine, they are voluntary (see table 1). Of course, in nine countries, there is no standard-setting body and in 11 no local rule-making or enforcement (the standard-setting bodies are not operative in Burundi and Madagascar). Where there are standard-setting bodies, there is an attempt to enforce the standards through either a regulatory agency or the national accounting body. However, none of these standard-setting bodies has undertaken a survey to determine compliance.

27. In general, the respondents did not give the highest priority to the development of accounting standards. While most respondents realized the importance of accounting standards, they felt their most immediate need to be the education and training of accountancy students, and that until more resources were available the adoption of international standards was the most appropriate course of action. However, the problem of their successful implementation remains. But this again depends on the existence of trained accountants as well as enforcement mechanisms.

Table 1. Accounting environment

Country	Plan comptable	Standard-setting body		Corporate standards are		Development of standards			Enforcement body	
						No Own National Standards	Use of international standards		No Regulatory agency or standard-setting body	Accounting body
	By law	Yes	No	By law	Voluntary		Without modification	With modification		
NORTH AFRICA										
Algeria	X	X		X			X			X
Egypt			X			X			X	
Morocco	X	X		X				X		X
Tunisia	X	X		X				X		X
WEST AFRICA										
Benin	X	X		X		X				
Burkina Faso	X	X		X			X			X
Cameroon a/										X
Chad	X		X			X			X	
Congo a/	X		X			X			X	
Côte d'Ivoire a/										
Gambia			X			X				
Ghana a/									X	
Guinea	X	X		X			X			X
Liberia			X			X			X	
Mali			X			X				
Mauritania	X	X		X		X			X	
Niger	X	X		X			X			X
Nigeria		X			X			X		X
Senegal	X	X		X			X			
Sierra Leone		X		X			X			X
Togo	X	X			X		X			
Zaire	X	X		X			X			X
EAST AFRICA										
Burundi	X	X			X	X				X
Ethiopia			X			X			X	
Kenya		X			X			X		X
Madagascar	X	X		X		X			X	
Mauritius		X		X				X		X
Rwanda	X	X		X			X		X	
Somalia			X			X				
Sudan a/									X	
Uganda			X			X			X	
SOUTHERN AFRICA										
Angola a/										
Botswana		X			X			X		X
Lesotho		X			X			X		X
Malawi		X		X				X		X
Mozambique a/										
Namibia		X			X			X		X
Swaziland		X		X				X		X
United Republic of Tanzania		X		X			X			
Zambia		X			X		X			X
Zimbabwe		X			X			X		X

a/ Response to questionnaire expected.

28. At its seventh session, the Group was made aware that the needs of Africa, as far as accounting standards were concerned, were not that different from the rest of the world. Thus, many countries have chosen to adopt the standards set by the International Accounting Standards Committee (IASC) and modify them to suit their own needs. The extent of the adaptation varies among countries. Eleven countries said they made modifications, while 11 others did not. In Zimbabwe accounting and auditing standards and guidelines are reviewed by the Accounting Practices Board, an independent body composed of representatives of the profession, Government and the business community. The Board is responsible for making recommendations on which IASC/IFAC pronouncements should become Zimbabwe standards. Compliance with standards is mandatory, and they apply to parastatals and local authorities as well as all businesses. The Institute monitors compliance with accounting and auditing standards and guidelines.

29. In Mauritius, the Government, realizing the importance of regulating accounting standards, established the Mauritius Accounting and Auditing Standards Committee in 1989. The Committee will formulate and publish accounting and auditing standards and guidelines and is currently working on a set of standards, using the United Kingdom Accounting Standards Committee and IASC pronouncements as a guide. The United Republic of Tanzania and Malawi have modified the IASC standards and have also set their own accounting standards. This has taken a considerable amount of time, but the countries concerned have found their efforts to be worth while.

30. It is imperative that greater efforts be taken on the part of the African bodies to encourage the application of international accounting standards. In many countries, accounting and auditing performance has been unsatisfactory in recent years, owing primarily to a critical shortage of accountants at all levels, but also to the lack of recognized and accepted accounting and auditing standards and the inadequacy of accounting development. The development of the accounting and auditing profession is important for countries. Increasingly, accounting is providing the basis for performance evaluation. Since resources are limited in Africa, it is vital that they be put to best use and not lost through poor decision-making and poor control of projects. The tools and techniques of financial decision-making, of performance measurement, of internal control procedures and the cultivation of an appropriate ethical outlook (including the need for accountability) need much more emphasis; the use of accounting standards in achieving this is very important. While the need to train qualified accountants and develop adequate accounting systems is great, they must be guided by an appropriate regulatory environment. Consequently, any comprehensive technical assistance package must include support for standard-setting.

B. Public sector financial management

31. The universal issue in public-sector accountancy is the need to attract and retain appropriately trained, qualified and motivated personnel. This applies to public administration (i.e., ministry financial management) in all African countries and to the vast majority of public enterprises or parastatal organizations. While poor compensation is the principle cause of the problem, other measures may be

considered to provide relevant training and recognition for public sector, particularly, public administration financial management. Creation of a separate stream of accounting education and qualification would provide the necessary skills for personnel who prefer to work in government service. Zimbabwe is, however, the only English-speaking country to have created its own Institute of Public Finance and Accountancy (ZIPFA), which is patterned after the United Kingdom equivalent.

32. With the exception of the lusophone countries, appropriate regulations regarding the national budget and accounts exist, but staffing problems often inhibit their implementation.

33. Control of publicly owned commercial enterprises or parastatals poses a vexing problem to the majority of African countries. While the problem itself is attributable to both financial and non-financial causes, the shortage of qualified accounting and financial management personnel in the enterprise and in related sponsoring ministries often results in unrealistic enterprise budgets, or none at all; inadequate monitoring and control over operations and cash flow; and eventually, dependence on national treasures for subventing, frequently on an emergency basis.

34. Finally, the public-sector audit function deserves review. Most government auditors, or inspecteurs, have a role limited to combating misappropriation. They would better serve their Governments if their roles were broadened to include audits and if their personnel were appropriately trained and qualified. An analysis of the three principal country groupings follows.

Anglophone Africa

35. While responses were not complete, a general pattern exists in most anglophone countries with respect to ministry accounts:

(a) Regulations exist which prescribe the timing, form and responsibility for preparing accounts and for audit;

(b) Budgets are divided between capital and recurrent expenditure; in many cases, different ministries are responsible for the two, leading to co-ordination problems;

(c) Single-entry systems prevail;

(d) The Ministry of Finance is responsible for preparation of accounts and the Auditor General for their audit; "attest" mandates prevail.

The pattern for parastatals is less uniform, except for the practice of not consolidating their accounts with the appropriation (i.e., ministry) accounts.

36. With few exceptions, actual performance does not measure up to the statutory requirements. A number of countries have not published audited appropriation accounts for more than five years. Those that are not up-to-date rarely meet the statutory deadline, which is usually six to nine months after the close of the

financial year. Parastatal financial management is usually weak, resulting in unexpected claims on the national treasury. The parastatal's sponsoring ministries usually lack the ability to oversee their financial affairs. A number of Governments have therefore established separate monitoring organizations, with the encouragement of the international development community. However, the results of this monitoring have yet to be evaluated.

37. The universal problem is the lack of appropriately trained and qualified personnel, which is directly related to salary levels in the public and private sectors. Creation of a separate stream of public sector accountancy would be one step towards improving the situation for public administration, including local government. Parastatal financial management, however, requires the same skills as that of private-sector commercial enterprises. Public accountability is not accorded a high priority by some Governments, which often leads to low morale among those responsible for financial management.

Francophone Africa

38. In all francophone countries, the national accounting plan only covers the commercial enterprises (private and parastatals). It does not cover ministries, public administration and non-profit public agencies. In these organizations, capital/investment budgets and recurrent budgets (budgets de fonctionment) are often handled by a representative of the Ministry of Finance (agent comptable) who - with single-entry techniques - handles budgetary expenses and is responsible for monthly and annual accounts.

39. "Audit" is exercised by a number of different bodies which, most often coexist in the same country and may have names such as auditeur a la cour des comptes, controleur d'Etat, inspecteur des finances or commissaire-controlleur. These "auditors" place emphasis on misappropriation, fraud and irregularities in procedures.

40. Performance (in terms of timelessness of accounts) varies from country to country. Among the countries participating in the zone franc, requirements for external review of budgets and accounts improve promptness in reporting and fiscal responsibility. Nevertheless, some respondents complained about the complexity of the system. Observations outside the survey (respondents did not address the issue) question the effectiveness of the inspection function in almost all of francophone Africa.

Lusophone Africa

41. While respondents did not directly address public-sector accounting issues, observations outside the survey suggest that strengthening is needed in systems and personnel at all levels.

IV. THE ACCOUNTANCY PROFESSION: ITS SUPPLY AND STRUCTURE

42. Of the 34 countries that gave the number of fully qualified accountants, the situation is rather stark. Seventeen countries have less than 50 fully qualified accountants working in the private sector. There are many fewer in the public sector. Only six countries have more than 500 fully qualified accountants in the private sector. These numbers, of course, must be related to the total number working in financial and business services, but even then, the lack of skilled accountants in the private sector is obvious (see table 2). Regarding the supply of accounting technicians, no reliable numbers were collected. Many countries appeared to have equally few, while others enjoyed very large numbers. If these numbers are indicative of the situation, the shortage of fully qualified accountants could be alleviated by upgrading the accounting technicians where they exist.

43. An independent professional accountancy body is needed to ensure the application of sound accounting and auditing practices throughout each country and to regulate the ethical standards of accountants. Of the 35 countries analysed in this survey, 24 have accounting bodies or associations. But only six countries give a national qualifying examination. The examinations emphasize accounting for the private sector.

44. There are no accounting bodies in lusophone Africa or in Burkina Faso, Chad, Ethiopia, the Niger, Togo, Uganda or Zaire. If the profession is to develop in such countries, they will need assistance in setting up national accountancy bodies.

45. Most of the existing accountancy bodies are statutorily recognized. Statutory recognition of the professional body is very important in that it shows government interest in developing the accountancy profession. In many countries where there is an accounting body, there is no legislation determining who can undertake an external audit, and anyone can call him or herself an auditor. This situation is not conducive to enhancing the status of the profession.

Anglophone Africa

46. Among the anglophone countries, only Nigeria (3,280) and Kenya (1,520) have over a thousand fully qualified accountants in the private sector. The majority are indigenous. Most of the Nigerian accountants qualified through a local examination, whereas in Kenya about half have an overseas credential. In the remaining anglophone countries (except Lesotho, Swaziland and Zimbabwe), all fully qualified accountants took overseas examinations.

47. The majority of anglophone countries have their own professional accountancy bodies, and seven have their own scheme of examinations. The others have no national qualifying examination, and instead admit members of other recognized accountancy bodies directly. Some of these prepare their examinations without any outside assistance, while others use the services of different organizations. The format of the accountancy examinations again differs from country to country. A typical pattern will normally, however, comprise three or four levels, with an emphasis on financial accounting, taxation and auditing.

Table 2. Supply of accountants and structure of the accounting profession

Country	Accounting body	Qualifying examination		Private sector			Public sector			Demand > supply for PwA a/ year 2000
		National	Non-local	Fully qualified accountants	Accounting technicians	Bookkeepers	Fully qualified accountants	Accounting technicians	bookkeepers	
NORTH AFRICA										
Algeria	X	X		56	1 250	..	..	10 000	20 000	X
Egypt	X	X		9 900	..	..	100	..	..	X
Morocco	X		X	135	5 000	4 000	35	2 500	16 000	X
Tunisia	X	X		120	2 000	3 500	..	800	1 000	X
WEST AFRICA										
Benin	X		X	73	61	34	75	190	199	X
Burkina Faso			X	15	80	600	90	120	350	X
Cameroon b/	..		..	..	..	..	..	..	..	..
Chad				..	4	..	..	..	..	X
Congo				5	10	..	..	..	..	X
Côte d'Ivoire b/	..		..	..	..	..	..	..	..	X
Gambia	X		X	9	30	..	9	..	..	..
Ghana b/	..		..	..	..	..	..	..	..	X
Guinea	X		X	5	8	..	..	..	..	..
Liberia			X	12	19	..	..	..	..	X
Mali	X		X	29	100	66	6	152	34	X
Mauritania	X		X	61	165	425	52	110	160	X
Niger			X	19	75	50	109	473	374	X
Nigeria	X	X		3 280	..	..	827	..	..	X
Senegal	X		X	38	..	..	..	..	..	
Sierra Leone	X		X	43	133	450	17	49	300	X
Togo			X	989	1 868	2 637	66	162	229	
Zaire			X	15	45	..	..	..	..	X
EAST AFRICA										X
Burundi			X	5	..	..	1	..	..	X
Ethiopia			X	14	..	..	3	..	..	X
Kenya	X	X		1 520	13 000	30 000	67	19 000	20 000	
Madagascar	X		X	38	20	..	..	34	..	X
Mauritius	X		X	175	465	2 000	25	335	1 000	X
Rwanda	X		X	46	55	340	15	150	150	
Somalia			X	6	100	..	..	..	..	X
Sudan b/			X	..	..	..	..	..	..	X
Uganda			X	35	..	..	10	..	..	X

.../

Table 2 (continued)

Country	Accounting body	Qualifying examination: National	Qualifying examination: Non-local	Private sector: Fully qualified accountants	Private sector: Accounting technicians	Private sector: Bookkeepers	Public sector: Fully qualified accountants	Public sector: Accounting technicians	Public sector: Bookkeepers	Demand > supply for FQA a/ year 2000
SOUTHERN AFRICA										
Angola b/										
Botswana	X		X	130	115	300	125	155	470	X
Lesotho	X		X	54	35	87	11	16	72	X
Malawi	X		X	120	..	..	39	100	2 001	X
Mozambique b/	..		..	..	..	..	..	..	..	..
Namibia	X		X	65	..	..	10	..	..	X
Swaziland	X		X	48	40	..	6	16	..	X
United Republic of Tanzania	X	X		949	2 154	6 008	..	..	..	X
Zambia	X		X	450	..	..	..	..	..	X
Zimbabwe	X	X		526	150	..	..	..	..	

Note: These numbers should not be interpreted as precise figures. They serve only as an indication of an order of magnitude - that is, whether the country has 10 accountants, 100 or 1,000. Two dots (..) indicate that data are not available.

a/ Fully qualified accountant.

b/ Response to the questionnaire expected.

48. The structure of the accountancy bodies varies. Some (e.g., Kenya, Malawi and the United Republic of Tanzania) have a highly structured accountancy profession, with three separate entities: a board to set the examinations; a registration board, which is responsible for registering accountants and issuing practising certificates; and a body to represent and promote the needs and common interests of accountants. In other countries (e.g., Swaziland) these activities are undertaken by one body, the Institute of Accountants. Another important aspect of the work of the professional bodies is the development of a code of ethics and ensuring that members adhere to it.

49. In the individual countries in anglophone Africa, the accountancy profession is at different stages of development. In general terms, the various bodies are at one of four stages of development:

(a) They are well established, have their own examination schemes and do not need any assistance (e.g., Zimbabwe Institute of Chartered Accountants);

(b) They have been established for a number of years, have introduced their own examination schemes and offer a reasonable service to students and members. They now need assistance with developing these further (e.g., the United Republic of Tanzania);

(c) They have been set up within the last 10 years, and have introduced an examination scheme with the assistance of another body; they do not have many staff or facilities; they need assistance if they are to progress further (e.g., Malawi);

(d) They are purely a membership body (they accept members from other accountancy bodies into direct membership) and there are no national examinations for students (e.g., the Gambia and Mauritius). Often these countries are small and the demand for accountants is limited. However, where they are not (e.g., Mauritius), encouragement should be given to helping the body set up its own examinations and provide services to its members and students. For small countries, where the setting up of national examinations is not desirable or feasible, some support should be made available to enable them to keep their members up-to-date with current developments and to provide a support network for students studying by themselves.

Accounting technicians

50. The survey responses highlighted the need for adequately trained accounting technicians rather than an increase in their numbers. Given the scarce educational resources, which make the achievement of professional certification difficult, there should be greater acceptance of people with technician-level qualifications. To date, only five bodies in Lesotho, Malawi, Swaziland, the United Republic of Tanzania and Zimbabwe have responded to this demand and have qualifications for accounting technicians. Other countries are interested in developing an accounting technician qualification. It is important that professional bodies provide the examinations if accounting technicians are to be effective.

51. Although the accountancy profession in many countries is still in its infancy, it is important to acknowledge the advances being made and the real assistance aid money can provide. There is still a long way to go for some countries, but many have laid good foundations for future development. For example, during the past 10 years, Lesotho has established its own professional accountancy body, professional examinations for all levels and a Centre for Accounting Studies.

52. Such progress, however, cannot take place overnight. Organizing and running a professional body are not easy tasks, and developments may take some time. It is important, therefore, that the donor community realize that aid should be provided on a long-term basis. It is important that the people of a particular country are able to operate their own professional bodies. The help of expatriates, while extremely useful, is a short-term solution. Emphasis must be placed on setting up a strong infrastructure, so that when expatriates leave, their efforts are not wasted. It is thus imperative that nationals be adequately trained to assume the various operations. In Lesotho, the Institute of Accountants and the Centre for Accounting Studies were founded in 1977 and 1979 respectively, with assistance from the Irish Bilateral Aid Programme. The Government of Ireland is still funding the Centre, as it has realized the importance of continuing to support it until it can be successfully administered by local staff. Despite initial start-up problems, the Centre is now operating satisfactorily.

53. Over the past few years, a few of the accountancy bodies in Africa have taken advantage of the services of the United Kingdom Chartered Association of Certified Accountants and have entered into joint examination scheme agreements with the Association. In anglophone Africa, the examinations of the Association are popular with students. For a national accountancy body to attract students it must be able to offer professional qualifications of a high standard. Otherwise, students and employers, rightly or wrongly, may perceive these as second-rate qualifications. Some countries in Africa have failed to gain international recognition for their local qualifications, and this has deterred other countries from instituting their own national examinations. Achieving a high standard is difficult, both administratively and educationally. A body has to find competent examiners for all the subjects it wishes to cover and this is not an easy task. It has been helpful for some bodies to receive assistance with the examinations since it has enabled them to offer students qualifications of a high standard that are recognized internationally. This situation is attractive to students and they join the national body, thus providing it with a source of income. Students in the main sit the same papers as any student sitting the Association's examinations in the United Kingdom. However, in many countries there is also provision for students to take examinations in local taxation and law. Use of joint examination schemes has enabled the bodies concerned to concentrate on matters such as providing services to members and students. These joint examination schemes have provided a good starting point for the national bodies. In time, it is likely that more local papers will be introduced, and eventually the body will be able to offer examinations without outside assistance.

54. In reviewing their examinations it is important for accountancy bodies to look at the needs of employers, to see if they are providing what is required. In Rwanda, for example, the business community is, on the whole, very critical of the

educational system, claiming that accounting students are ill-prepared to meet local business needs. The situation is, however, expected to improve as a result of the reform introduced in 1980 through the Belgium-financed Bureau pedagogique de l'enseignement secondaire (BPES). BPES has developed a set of curricula for students following the newly established Commerce et comptabilité track; both sets are much more professionally oriented than the previous programmes, and they have been designed taking into consideration the job requirements as perceived by the local would-be employers.

Francophone Africa

55. In francophone Africa, the situation is more desperate concerning the supply of fully qualified accountants. Togo purports to have 989 fully qualified accountants or experts comptables, but since only three Togolese have studied in France during the last six years, it seems impossible that this number would have a French accounting degree. The relatively small number of fully qualified accountants demonstrates the necessity of establishing national or regional degree programmes (see table 2).

56. The expert-comptable is the highest level of qualification and, as detailed later in the report, the requirements for qualification are very stringent. The francophone country or institution in Africa delivers a diploma of expert-comptable. The examinations are prepared and marked in France. It is the responsibility of the expert-comptable to ensure that accounting and financial reporting respect the Plan comptable national. This uniform accounting plan seeks to harmonize accounting systems in the former Organisation de coopération des pays africains et malgaches (OCAM) countries and provide uniform data for national accounting and economic planning. Generally, the plan is a list of standardized charts of accounts which set classifications and definitions of assets, liabilities, reserves, costs and the like, both for recording and reporting. The audit function of the account is carried out by the commissaire aux comptes, who may or may not be an expert-comptable. Qualification as a commissaire aux comptes is not by examination and many are inadequately trained. Most often, it is not very highly considered as a profession.

57. The questionnaire responses highlighted the need for the development of independent accountancy bodies in francophone Africa. Even where there is an independent accounting body, the progress they make is very slow. For example, the Association congolaise de comptabilité, created in 1988, is still in its infancy. There is no legislation in the Congo to regulate the profession, and anyone can call himself an accountant or auditor. In Rwanda the Centrale comptable organization has encouraged its Rwandese staff to set up an Association rwandaise des comptables. The draft statutes, dated 3 March 1986, are in a very early state of preparation, while the objectives of the Association have not been clarified and the concept of self-censorship is foreign to most parties involved. Meanwhile, 46 Rwandese accountants have indicated their willingness to join. Technoserve, Inc., a United States non-governmental organization, is administrating the Private Enterprise Development Project for USAID to provide assistance in setting up a professional accountants association. It is important for the development of the profession that such bodies be established, and such moves should be encouraged. A

major challenge of the accounting profession in francophone Africa is to encourage the establishment of Generally Accepted Accounting Principles and a General Accounting and Auditing System in order to limit the use of "creative" accounting, which undermines the credibility and the statutes of the profession. Most countries did not include the publication of financial reports nor Generally Accepted Accounting Principles or a General Accounting and Auditing System as part of the legislation of the profession. Few countries provide for adequate rewards and independent reporting. Thus, national accountants find it difficult to act professionally, regardless of their qualifications.

Regional accountancy bodies

58. There are a number of regional accounting organizations in Africa. A brief description of them is given below.

Arab Society of Certified Accountants

59. The Arab Society of Certified Accountants (ASCA) was established in 1983 to develop the sciences of accountancy, financial management and other relevant subjects and to organize the accounting profession in the Arab world with the purpose of ensuring that its members attain the highest standards. Accountants in Algeria, Egypt, the Libyan Arab Jamahiriya, Morocco and Tunisia are members. ASCA actively promotes co-operation between national societies in its part of the world and represents Arab certified accountants in international forums. Among the activities undertaken for the benefit and professional development of its members are training seminars, translation into Arabic of International Auditing Guidelines issued by the International Auditing Practices Committee, the translation into Arabic of accounting textbooks and materials, and the institution of an examination in accounting for qualification as an Arab Certified Accountant.

African Accounting Council

60. The African Accounting Council (AAC) was established in 1979 to promote close co-operation between the various bodies responsible for accounting standardization in Africa. The objectives of the Council are to:

(a) Assist in the establishment of bodies responsible for accounting standardization in African countries;

(b) Promote and carry out studies in the field of accounting standardization;

(c) Encourage education and further training in accountancy;

(d) Undertake research in accounting matters and associated disciplines;

(e) Promote the development of the teaching of accountancy and related disciplines;

(f) Provide for publication, translation and circulation of works on accountancy by African authors;

(g) Facilitate regular contacts between members;

(h) Stimulate relationships and exchanges between African specialists and experts;

(i) Establish communication links with international organizations and with professional associations of other countries whose works and activities are similar to those of the Council;

(j) Promote the use of similar accounting methods in order to facilitate the flow of management information between African countries.

Association of Accountancy Bodies of West Africa

61. The Association of Accountancy Bodies of West Africa (ABWA) was formed in Nigeria in 1982. The two founding organizations were the Institute of Chartered Accountants of Nigeria and the Institute of Chartered Accountants of Ghana. The membership of ABWA has now increased to six, and includes the national accountancy bodies of the Gambia, Liberia, Senegal and Sierra Leone. The objectives of ABWA are to:

(a) Develop and enhance the accountancy profession in West Africa;

(b) Promote the development of professional ethics and standards in member bodies;

(c) Act as a centre for the dissemination of information concerning accountancy standards and the development of accountancy concepts or practices in West Africa;

(d) Provide a forum for the professional development of accountants through seminars, symposiums, conferences and interchange of ideas and experiences;

(e) Provide advice on and participate in the programme of work of IFAC and adopt, as appropriate, and publish for its members IFAC guidelines, statements and studies.

Federation international des experts-comptables francophones

62. The Federation international des experts-comptables francophones (FIDEF) was created in 1981 during a Congress of the Ordre des experts-comptables français and has both institutional and individual members in 13 African countries. It is the international body of experts-comptables and, as such, looks after the interests of all its members resident outside of France.

63. The three main objectives of FIDEF are:

(a) Co-operation among the francophone experts-comptables in their various fields;

(b) Comparison and harmonization of teaching methods and qualifications;

(c) Exchange of information concerning the regulations and practices and their respective countries.

64. FIDEF supports the accounting profession in francophone countries by organizing seminars in international auditing methods, audit in the public sector, consolidation of accounts and the like. Such seminars have been held in Cyprus, Lebanon, Morocco and Senegal.

65. FIDEF assisted in the establishment of standard-setting bodies in Lebanon and Morocco. A programme for auditors and computer specialists is conducted in Algiers jointly with the World Bank.

66. The members of FIDEF are:

(a) Associate members (Ordre des experts-comptables): associations or institutes representative of the accounting profession in a francophone country which pay an annual contribution;

(b) Observers (experts-comptables) from countries without professional organizations supporting FIDEF, and public and private associations and institutions which contribute to the objectives of FIDEF.

Federation of Accountants - SADCC Region

67. The Federation of Accountants - Southern African Development Co-ordination Conference (SADCC) Region was founded in 1985 by the seven anglophone countries of the region: Botswana, Lesotho, Malawi, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe. Its responsibilities include:

(a) Encouragement of new and existing bodies;

(b) Harmonization of professional training, experience and codes of conduct;

(c) Development of uniform accounting and auditing standards and guidelines;

(d) Development of a common examination structure;

(e) Liaison with international accountancy bodies;

(f) Holding of congresses and seminars.

The lusophone countries are not members of the Federation, and there is no other regional body representing their interests.

68. Owing to a lack of funding, the actual activities of some of these bodies have not been extensive, and they have not been able to play a significant role in assisting national bodies. ASCA has held two regional conferences; ABWA has also held two conferences; the SADCC Federation holds regular meetings of its members;

and AAC co-hosted, with the African Development Bank, a conference on accounting education and training, which was held at Abidjan in December 1988. In general, regional accounting bodies are strongest in those parts of the world (e.g., Europe) where the national accounting bodies are well established. It may therefore be some time before regional bodies are effective in Africa. Their potential contribution to act as clearing-houses for information, promote the professional development of their members and offer regional certifying examinations should not be overlooked.

V. DEMAND FOR ACCOUNTANCY PERSONNEL

69. Table 2 indicates the responses to the questionnaire on the demand for accountants in the year 2000 compared to the supply. The information obtained gives a rough guide to the need for accountants in Africa, but it does not give an accurate or complete picture. Many respondents felt unable to complete this part of the questionnaire; some misunderstood the questions; and those that completed the section could only provide their "guesstimate". Most countries have not conducted formal manpower surveys, and it was not possible to obtain reliable information by means of the questionnaire.

70. In general terms, the demand for accountants is influenced by the following factors: legislation and government interest in developing the accounting profession; economic growth, particularly in the commercial and industrial sectors; structural changes, including a shift to services and from a centrally planned to a market economy; indigenization of the profession and the requirements of the international community; transnational corporations and offshore lenders and aid agencies. Some or all of these factors will increase the demand for accountants in most African countries.

Legislation and government interest

71. While the need for more accountants in Africa can be seen, this does not always mean that there is a demand for their services. One of the major influences on the development of the profession in Africa is the interest of the Government. The profession needs government backing if it wishes accounting to be improved, in both the private and the public sector. In certain countries, there is little official emphasis on accountability, and where this is the case, accountancy is not highly regarded. In other countries, increasing government interest is helping the profession develop and is creating a growing demand for accountants.

72. For example, in Swaziland, the Minister of Finance views the development of the profession as fundamental to the economic growth of the country, and he has been a major influence on the development of the profession in that country. He also sees the need for a strong accounting profession and sound governmental accounting systems to promote foreign investment. In Swaziland, the 1985 Accountants Act reflects the recognition of those in Government of the importance to the country of a mature and effective accountancy profession. They appreciate that the new commercial and industrial initiatives will either be greatly enhanced or impeded according to the level of accountancy expertise and proficiency that can be made available to them.

73. In many countries there is an extensive legal and regulatory framework which requires the services of accountants, from undertaking statutory audit to providing taxation advice. In francophone Africa, the Plan comptable requires the services of a large number of accountancy personnel. As previously mentioned, in the United Republic of Tanzania, under the Accountants and Auditors (Registration) Act, all companies over a certain size are required to employ an accountant or auditor, which creates a large demand for their services.

Economic growth

74. Botswana has an expanding economy and an increasing need for accountants. The Government considers that a well qualified and appropriately experienced accountancy profession is critical for economic activity and that economic growth cannot be sustained without a sound accounting framework. In recognition of the importance of accountancy, therefore, the Government passed the Accountants Act of 1988, and has provided the impetus for the establishment of the Botswana Centre for Accounting Studies (BCAS). To take another example, Swaziland has an expanding economy, with several large companies choosing to leave South Africa and relocate in Swaziland. As a result, the demand for qualified accountants at all levels is rising.

75. While most African economies have an agricultural base, industrialization is increasing in many: Côte d'Ivoire, Kenya, Mauritius, Zaire, Zimbabwe and the North African countries are examples. This trend creates a demand for improvements in management accounting. Some countries have begun to take steps to meet this demand, for example, the industrial promotion agency in Zaire provides training in management accounting, and the United Kingdom Chartered Institute of Management Accountants has a small branch in Zimbabwe. However, recognition of management accounting as a separate stream in the profession is generally embryonic.

Restructuring the economy

76. A number of African countries, for example, Benin, Ethiopia, Guinea, Madagascar and most of the lusophone countries, have taken steps to decrease reliance on central planning and state control in favour of greater orientation towards the market. This provides the potential for a greatly increased demand for accountants in all affected sectors. For example, Guinea is opening up to Western investment and has introduced new laws to regulate commercial activity, including a new investment code, which requires qualified accountancy personnel in its operations.

77. In Madagascar, as an integral part of its efforts to revitalize the economy, the Government has assigned a high priority to the development and upgrading of high-level managerial capacities within the country. The Government of Mozambique also regards the development of accounting as important for increasing the standards of administrative and financial control in the public and private sector. A recent survey undertaken by Arthur D. Little estimates that the demand for accountants will come from both the private and the public sector, owing to the growing need for better financial information for taxation, operations management and audit. Within the Government, the demand for accounting skills is growing as

the economy recovers, particularly in the Ministry of Finance where there is a demand for taxation and auditing skills.

Indigenization of the profession

78. There are marked contrasts among African countries with respect to the degree of indigenization that has taken place in the accounting profession. In many francophone countries, as well as in Kenya, Nigeria, the United Republic of Tanzania and Zimbabwe, nationals dominate the profession. In other countries, however, the vast majority of fully qualified accountants are expatriates, and the profession is dominated by the major accounting firms. In some cases, nationals feel that expatriates have erected unreasonably high barriers to entry into the accounting profession.

79. To some degree, participation in the profession may reflect control of the commercial and industrial sectors. As this control passes from expatriate to national (particularly private sector) hands, the demand for indigenous accountants with internationally recognized qualifications is likely to increase.

80. At the ABWA Congress in 1989, the need for locally trained accountants was stressed. It was felt that only they could solve the economic problems facing West Africa, and that there was, therefore, a need for a national capability in the management of economic recovery programmes. It was observed that it was important for the accounting profession to establish and maintain its credibility to ensure that users have confidence in the quality of work of members. Since independence, Africa has witnessed substantial economic development in the government, parastatal and private sectors. Sustained economic growth cannot be maintained in the absence of a sound accounting infrastructure and an appropriately qualified and experienced accounting profession.

Requirements of the international community

81. There are two distinct aspects to this question, both with implications for accountants. The presence of transnational corporations implies a demand for accountants. There are, however, still examples of transnationals transmitting all their source data to their headquarters, principally because of a lack of local accounting personnel. An increased supply of local accounting technicians would obviate the need for this expensive and inefficient process.

82. Most international lenders and donors, official as well as private, require audited accounts from their borrowers or recipients. In the past, however, they have not insisted on their clients meeting this requirement as rigorously as they might have. As the lending community exacts more pressure on clients for accounts, the demand for accountants will necessarily increase.

VI. EDUCATION AND TRAINING

A. Education

General

83. In the questionnaire, responses regarding the provision of good accountancy education was given the highest priority. Poor education, or a complete lack of it in some countries, is one of the major stumbling blocks to the development of the accountancy profession. Poor financial management has affected the development of both the private and the public sectors in Africa. In many countries, the accountancy profession is not sufficiently developed nor is it of appropriate size to solve these problems. However, it is clear that sustained economic growth cannot be maintained in the absence of a sound accounting infrastructure and an appropriately qualified and experienced accounting profession. Almost every study of the quality of accounting in developing countries has highlighted a correlation between the level of economic development and accounting development. There is, thus, a need for good teaching facilities and many more competent professionals. Successful development programmes in Africa require sound accounting systems, but accounting systems can only be as good as those operating them.

84. In both anglophone and francophone Africa there are three levels of accountancy qualification: fully qualified accountants, accounting technicians and bookkeepers. In most countries, there is some provision for training at the level of bookkeeper, although the quality of some courses may need improving. The ability of students to pass these courses might also depend on their general preparation, which is a function of the adequacy of the national educational system. In anglophone Africa courses for bookkeepers are offered through the general education system. However, in francophone Africa there is a special diploma (details of which are given below). In many countries there are also courses for accounting technicians, again these are often inadequate. The professional level is the area most lacking in adequate accountancy education. In this area there is a critical shortage of courses and many students have to travel overseas. When courses are available, students can study accounting through a number of different methods: full-time, part-time, block release or correspondence courses.

85. To give a completely negative picture of accountancy education in Africa would be wrong. There are some countries that are attempting to lay firm foundations and there have been some successes, on both a national and a regional level, for example, in Lesotho and the Centre for Accounting Studies in Senegal.

86. In the late 1980s, the Centre africain d'études supérieures en gestion (African Centre for Higher Management Studies)* in Dakar devised (with the assistance of ILO, FIDEF, the Compagnie nationale des commissaires aux comptes and the major international audit firms) a common body of knowledge and developed a

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* This is a regional management development institute for the seven member countries of the West African Economic Community.

curriculum for a 900-hour advanced training programme in international audit and control. Each year, the programme helps 25-30 young university graduates with professional experience (from Benin, Burkina Faso, Côte d'Ivoire, Mali, Mauritius, the Niger and Senegal) to prepare a subregional higher diploma leading to a position of financial comptroller or external/internal auditor in a government agency, public or private enterprise or a consulting firm.

87. In 1986, the University of Abidjan, with the help of a French university and a French business school, created a programme leading to a Master's degree in Accounting and Financial Sciences and Techniques. Thirty-five students are following this programme, which, at the present time, is the highest diploma in francophone Africa in accounting studies. In October 1989, this diploma was recognized by France as equivalent to the Maîtrise en sciences et techniques comptables en financières (MSTCF).

88. In 1991, the University of Abidjan will create at the doctorate level a specialized higher diploma in accounting and financial management to prepare the students for the French expert-comptable*. It is expected that at least 30 students will become experts-comptables in the next five years.

89. The success and development of the accountancy profession is dependent upon good education. The courses, however, are not often very good and the success rate of students in the examinations is poor. There is a need to increase the percentage of students passing exams, without lowering the standard of the examinations, and achieving this objective is difficult.

90. Educational institutions are hindered by a number of problems, including the following:

(a) School and university education is weak and students are ill-equipped to commence professional training;

(b) The standard of teaching is poor, and institutions cannot attract competent staff as they are unable to offer competitive salaries (professionally qualified people are better remunerated in the private sector) or qualified personnel emigrate to countries with higher standards of living; the methodology of teaching is not appropriate, the curriculum is poorly designed, and courses do not meet the needs of employers;

(c) Educational institutions are badly managed;

(d) Facilities and teaching materials are poor, there are few books or computers and lecture rooms are inadequately equipped, and obtaining foreign exchange for materials is not easy;

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* Diplôme d'études supérieures specialisées en gestion comptable et financière (D.E.S.S.). After obtaining a Master's degree in economics or gestion a student can obtain the diploma by specializing in a specific subject, such as auditing, finance or analytical accounting.

(e) Donor assistance is not given for long enough periods, neither the Government nor the colleges with their limited resources are able to provide sufficient subsidies to sustain the long-term education and training needs of accountancy, and local people are not sufficiently well trained to assume their responsibilities when expatriates leave.

91. Most technical assistance projects are based on assumptions that, when training improves the supply of effective accounting services, they will be demanded and that the projects have sufficient government priority to continue to receive local funding after the project ends.

92. Although experience seldom supports such assumptions, these projects can provide for some teaching aides, books and even buildings, which motivate both staff and students, produce large numbers of trainees with some background in bookkeeping and accounting, and develop national staff.

93. The difficulties of such projects are the following:

(a) The project duration is generally too short to develop a durable infrastructure;

(b) Fellowships to develop and retain competent and sufficient staff often fail because of low salary scales;

(c) Training that is not based on research and consulting is usually irrelevant; the students often learn things that are not useful;

(d) Training is often based on old books and is generally unrelated to the real work environment of trainees;

(e) Fellowships are rarely more than motivators before they are given; fellows do not return or, on return, are assigned to a different function.

94. School education in many countries is unsatisfactory and students experience problems when they commence their professional studies. In Botswana, education in the schools is seen as poor, and in the secondary schools there is a shortage of teachers for mathematics and commercial subjects. Many students therefore leave school with a low level of quantitative and verbal skills and are ill-prepared for higher education. In Swaziland, as in many African countries, the thousands of school-age children are putting a tremendous strain on the primary and secondary school system. The few who manage to enter a university find their skills barely adequate, and a good portion of the first year is devoted to developing basic skills.

95. Many respondents emphasized the need to improve staff development and supplement salaries. Qualified professional accountants are reluctant to become involved in teaching as the financial rewards are poor. In Botswana, for example, the shortage of professionally qualified accountancy lecturers is of major concern. Salaries paid to lecturers are not competitive with industry, and consequently educational institutions are unable to attract competent teaching

staff. The situation is similar in Swaziland, and to help overcome this the Institute of Accountants is in the process of establishing an educational endowment trust. The main purpose of this trust is to provide deserving students with scholarships and bursaries and to supplement the salaries of accounting lecturers. The Institute hopes that the trust fund will help improve the number of students entering the accountancy profession and the quality of the education available.

96. In considering how to solve the problem of poor accountancy education, the respondents were of two opinions: those favouring a separate accountancy college and those wishing to strengthen their country's existing institutions. The establishment of a special accounting college is often viewed as the easiest way to improve the number of accountants. There are a number of problems involved with strengthening the existing institutions, such as the universities in Africa, since they are not of the right standard; they cannot attract competent teachers and the results are unsatisfactory. A special centre can be better supervised by the profession inasmuch as it can offer the courses it wishes, and it is not bogged down by the bureaucratic procedures often associated with large institutions. In some countries the building of a centre for accounting studies has proved to be a successful solution to the problem of how to train accountants, but in others the results have been mixed, for example, the colleges in Lesotho and Malawi have been reasonably successful, whereas those in Madagascar and Zaire have not. Those centres, however, separate and isolate accountancy education and staff from the mainstream public sector institutions. Universities need to be strengthened and students from other disciplines exposed to accountancy and financial management. If accounting is separate, students will not receive this exposure. For some countries this may be the best choice. Each case, however, should be examined on its own merits.

97. Many respondents expressed the wish to strengthen local institutions, building on and using the resources of existing institutions. They were of the view that, wherever possible, existing institutions should be reinforced rather than replacing or duplicating them. There must be an incentive for local universities or colleges to improve, and teaching high-level accounting can provide this. The common factor in the responses was the desire for countries to have their own accountancy training programme and faculties. Each country must be considered individually since it is not always possible to transfer successfully one country's model to another.

98. One problem that was addressed in the survey responses, but to which no solution was given, was that of how to educate the accountants in the very small countries. At its seventh session, the Group considered the concept of a regional accounting centre. It was observed, at least in the anglophone countries, that this was not the best answer to the problem of training accountants. All respondents were in favour of in-country training. Among other problems, employers and Governments are not always able to fund education abroad. In most countries, however, there will be enough demand to support courses for accounting technicians and bookkeepers, and assistance should be provided to help colleges develop such courses. Small countries wishing to train fully qualified accountants will have to continue to send students to another country to gain their accountancy qualification.

Anglophone Africa

99. Students wishing to register for courses to become fully qualified accountants are normally required to hold the equivalent of two advanced level passes and three ordinary level passes. Passes in mathematics and the English language are usually required. Some countries, such as Namibia and Zimbabwe, also require students to be degree holders. A typical accountancy student will be a school leaver, but he or she may also be a graduate, an accounting technician or a holder of a higher diploma.

100. Many of the respondents highlighted the need to develop technician level accounting, noting that it was an area that had been neglected. There is a great need to improve technician level accountants. It is important for management to have the necessary information on which to make decisions. Companies cannot utilize highly qualified accountants efficiently if the support staff are poor. Accounting technicians can also provide candidates for further professional training. As mentioned earlier, only a few countries have an accounting technician qualification. It is likely that most countries can offer (perhaps, with some assistance) reasonable technician level education.

101. Zimbabwe is the only country in anglophone Africa to have a qualification exclusively for the public sector. The public sector is beginning to realize the need for increased financial management, and the introduction of the ZIPFA qualification has been warmly welcomed by the Government. Students wishing to become members of ZIPFA are required to have an accounting degree with a specialization in accounting and finance for the public sector. On completion of the degree, students are required to gain three years of relevant experience under the supervision of an Institute member and complete a project in the final year. The project, which is completed under the supervision of a university lecturer, must be an original research study requiring the student to write between 6,000 and 8,000 words. On completion of the project, the student must pass an oral examination. There is no formal written examination for membership in ZIPFA.

102. Although some professional accounting bodies offer continuing professional education courses for their members, there is a lack of such courses in Africa. This may result in accountants falling behind due to new developments, and some consideration should be given to finding a solution to this problem.

Francophone Africa

103. The structure of formal education in francophone countries is modelled after the French system. This is particularly true for the very specialized accounting and auditing profession. There are different levels of bookkeeping and accountancy qualifications recognized in francophone African countries:

Certificat d'aptitude professionnelle (CAP);

Brevet d'études professionnelles (BEP) - an improved CAP;

Baccalauréat (management option);

Diplôme préparatoire aux études comptables et financières (DPECF);

Diplôme de l'Institut national d'économie;

Diplôme d'études comptables et financières (DECF);

Maîtrise de gestion (a university degree in management);

Diplôme des ecoles superiéures de commerce ou de gestion (MBA degree);

Diplôme d'études superiéures comptables et financières (DESCF);

Diplôme d'éxpertise comptable.

104. CAP and BEP are the lowest level of trained bookkeepers. The minimum qualification necessary to enrol for the course is an elementary school-leaving certificate. The course takes about two years. After a year or two of practical training, and experience on the job, a CAP holder should be capable of writing up journals and posting ledgers. A BEP holder (somewhat rare in most francophone countries but common in Belgian countries) should be able to extract a trial balance and prepare simple accounts.

105. A holder of the Baccalauréat (management option), if properly supervised, should be able to write up all accounting books and records after graduation, and, with further practical training and experience, should be able to extract trial balances and prepare simple balance sheets and income statements. Entry into the course requires possession of either a CAP or a junior high school certificate. Following completion of the Baccalauréat, three years of training is required.

106. The Maîtrise de gestion and the Diplôme des écoles supérieures de commerce ou de gestion are all university-level business degrees in which undergraduates can specialize in accounting. All require possession of a Baccalauréat, either in accountancy or in general studies, followed by four years of university training (including compulsory periods of practical accounting work). In theory, these graduates should be able to go into an organization and take charge of its entire accounting system and supervise the work of junior staff. In practice, however, only a few opt for in-depth accountancy training or have the breadth of practical experience necessary to undertake such responsibility.

107. A DESCF holder is next to the expert-comptable who is recognized internationally as possessing the same level of professional training and competence under the French system as a CPA under the United States system or a CA under the United Kingdom system. To qualify as an expert-comptable, it takes a DESCF holder three years of supervised practical experience, of which at least one or two years must be spent in France, followed by a successful written and oral test.

108. A DESCF holder possesses the highest professional level training in accountancy. He or she often possesses a university degree in other subjects and must have succeeded in passing the DPECF and DECF examinations. The DESCF is composed of 16 different themes in accounting, economics and law. The DPECF provides the first five themes and the DECF an additional nine. Currently, when a student is studying at the university, some themes are chosen according to his specialization. Some university diplomas such as the Maîtrise en sciences et

techniques comptables en financières, certify the holder in 14 themes and the graduate has only two more themes to pass in order to receive the DESCF diploma.

109. It is important that there is training at all levels. Some countries, such as Senegal and Côte d'Ivoire, have structures that allow training at different levels, while others do not have any coherent structure and students are required to go to France. The survey responses identified a strong need for national or regional courses, taking into account each country's specific needs and the requirement for any certificate to be equivalent in standard to the French examinations.

B. Training

110. On-the-job training is often very important. Learning about the theory of accounting is of limited value if a student is not shown how to put it into practice. Very often training and proper supervision is lacking, and this results in trainees not being able to carry out their jobs as well as required. Most employers do not have training officers to supervise trainees, and training is a neglected area. Training is poor in all sectors except in the practising accounting firms, although in some countries it is poor there as well. One of the main problems with training is that it is not comprehensive. There are no definite career paths in companies or government departments and, consequently, students are not able to gain a broad range of experience. Monitoring of training by the professional bodies is necessary, as employers are not always aware of the advantages of proper training programmes. Therefore, professional bodies must educate employers and explain to them the benefits of providing good training. This, however, takes time and manpower, which, for the most part, professional bodies do not have at their disposal.

111. In-service training for francophone Africans is a problem, as finding traineeships in France (where the stage has to take place to receive the French diploma) is difficult. Firms do not want to hire Africans, even when they have had a chance to appreciate their competence and commitment at earlier stages.

112. In some countries (e.g., Rwanda), genuine efforts are being made at all levels to improve the professional capability of those involved in accounting mainly through in-house training organized in commercial banks. Evening courses are offered to small traders where they can learn how to meet the requirements of the tax administration and how to apply for credit. In the Gambia, under the USAID-funded Sahel Regional Financial Management Project, short courses in financial management have been offered at the Management Development Institution. The courses have been very successful and the Accountant General has made them compulsory for staff seeking promotion within his department. The project has also involved the training of trainers in areas of financial management in the Government and the private sector. Under the project, on-the-job training and workshops have been provided in a number of government departments and parastatals.

113. In Botswana, in industry, commerce and public practice, training is considered inadequate, although, increasingly, firms are appointing training officers. With the establishment of the Botswana Institute of Accountants and the Botswana Centre

for Accounting Studies it is hoped that the quality of training will improve, as firms will be encouraged to introduce structured training programmes and trainees will be required to maintain a practical experience record which will be validated at each stage of progression. Until recently, the Government had relied on external training programmes and on-the-job training. This was, however, considered inadequate and, in acknowledgement of the problems, a Training Unit under the aegis of the Accountant General has been established. Under the programme, formal and on-the-job training is envisaged.

114. In Mozambique the Ministry of Finance launched the Professional Training and Accounting Project in 1983. The aim of the project is the long-term development of accounting systems in companies and the training of individuals to operate them. Since the project started, courses have been run for commercial institute graduates in basic and intermediate accounting. On-the-job training is also provided by the National Bank of Mozambique. The development of training is co-ordinated with the national banks of other African Portuguese-speaking countries: Angola, Cape Verde, Guinea-Bissau and Sao Tome and Principe.

115. In many countries there is no provision for students to train in industry and commerce. This applies not only to francophone Africa, but also to certain anglophone countries such as Zimbabwe. Consequently, there is a lack of teaching of cost and management accounting, which has been viewed as a weakness by some members of the accountancy profession.

116. Education and training is the most pervasive problem in the field of accounting in Africa. It is also a problem that requires an individual solution for each country. Although a regional approach may be appropriate, it is important for education and training programmes to respond to individual country needs.

VII. CONCLUSIONS

117. The analysis of the questionnaires has revealed that some problems are endemic, that is, they are found in almost all African countries. These problems, as well as those that affect only certain groups, are listed in table 3. First and foremost is the problem of the scarcity of fully qualified accountants, which affects Africa as a whole. This has a direct impact on the quality of accounting systems, particularly in the public sector.

118. The assistants of the fully qualified accountants, or the accounting technicians, while apparently numerous, are of poor quality. This is because accounting education is theoretical rather than practical in nature and does not give technicians the skills they need to function effectively in the public or private sector. Given the lack of a proper accounting infrastructure, respondents attached a low priority to the development and enforcement of accounting standards. Consequently, when accounting standards are adopted, they are taken directly from developed market economies or from international organizations. They are seldom adapted to local conditions and almost never enforced.

119. Regarding the problems common to francophone countries, the following may be noted. There are no national diplomas for experts-comptables and some national accounting bodies adopt policies that restrict entry. Many countries still operate under an outdated Plan comptable and have not adopted the Plan simplifié. There is also an excessive reliance on tax law to specify what information should be disclosed and so there is little incentive to develop accounting standards. In anglophone countries there is a reliance on outdated legislation such as the Companies Act. There are no specific diplomas or qualifications either for public sector accountants or for accounting technicians. Both groups could benefit from specialized education.

120. The situation of lusophone countries is the most dramatic. Their accounting systems are in disarray since one system was superseded by another and there are no experts to maintain either. There are no accounting bodies to promote professional development. Thus, there is no development of accounting standards.

121. While it is possible to identify problems that are common to groups of countries and design a regional strategy, technical assistance must be tailored to each country's individual situation. Programmes must be implemented on a country basis, except, of course, for the smallest countries where there may be no alternative but to join a regional programme. The next step in this study is to identify those countries that could most benefit from technical assistance and to undertake consultations with them either on a group basis or individually.

Table 3. Accountancy problems in Africa

Country	Too few			Poor quality			Inadequate programmes			Other constraints		
	FQA a/	Accounting technicians	Public sector accountants	FQA a/	Accounting technicians	Public sector accountants	FQA a/	Accounting technicians	Inappropriate education	Socio-political	No indigenous	Legal/ regulatory framework
NORTH AFRICA												
Algeria	X		X		X	X	X	X	X	X		X
Egypt	X		X	X	X	X	X	X	X			X
Morocco	X	X	X			X	X	X	X			X
Tunisia	X	X	X			X	X	X	X			X
WEST AFRICA												
Benin	X	X	X	X	X	X	X	X	X	X		X
Burkina Faso	X	X	X	X			X		X			X
Cameroon b/												
Chad	X	X	X	X	X	X	X	X	X	X	X	X
Congo	X	X	X		X	X		X				
Côte d'Ivoire b/		X								X	X	X
Gambia	X	X	X		X	X	X	X	X		X	X
Ghana b/												
Guinea	X	X	X									
Liberia	X	X	X	X	X	X	X	X	X	X	X	X
Mali		X	X				X		X			X
Mauritania		X		X			X		X		X	X
Niger		X	X				X		X			X
Nigeria			X	X	X	X	X	X	X			X
Senegal		X	X							X	X	X
Sierra Leone	X	X	X		X	X	X	X	X	X		X
Togo		X	X	X						X		X
Zaire	X	X	X	X	X	X	X	X	X	X	X	
EAST AFRICA												
Burundi	X	X	X	X	X	X	X	X	X	X		X
Ethiopia	X	X	X	X	X	X	X	X	X	X	X	X
Kenya				X	X				X			
Madagascar	X	X	X		X	X	X	X		X		X
Mauritius							X	X	X			X
Rwanda	X	X	X	X	X	X	X	X	X	X		X
Somalia	X	X	X		X	X	X	X	X	X	X	X
Sudan b/	X	X	X		X	X	X	X	X	X	X	X
Uganda	X	X	X		X	X	X	X	X	X		X
SOUTHERN AFRICA												
Angola b/	X	X	X	X	X	X	X	X	X	X		X
Botswana		X	X		X						X	
Lesotho			X			X						
Malawi	X	X	X		X	X		X			X	
Mozambique b/	X	X	X	X	X	X	X	X	X	X		X
Namibia		X	X		X			X	X			
Swaziland	X	X	X		X		X		X			
United Republic of Tanzania			X		X	X	X	X	X			
Zambia	X	X	X		X	X		X			X	
Zimbabwe		X	X									

a/ Fully qualified accountant.

b/ Response to questionnaire expected.